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FM AMEMBASSY DAMASCUS
TO RUEHC/SECSTATE WASHDC IMMEDIATE 6388
INFO RUEHEE/ARAB LEAGUE COLLECTIVE IMMEDIATE
RUEHKL/AMEMBASSY KUALA LUMPUR IMMEDIATE 0016
RUEHTV/AMEMBASSY TEL AVIV IMMEDIATE 0681
RUEATRS/DEPT OF TREASURY WASHDC IMMEDIATE
RHMFISS/HQ USCENTCOM MACDILL AFB FL IMMEDIATE
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C O N F I D E N T I A L SECTION 01 OF 02 DAMASCUS 000005

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NEA/ELA
NSC FOR ABRAMS/DORAN/SINGH
TREASURY FOR GLASER/SZUBIN/LEBENSON
EB/ESC/TFS FOR SALOOM

E.O. 12958: DECL: 12/29/2015
TAGS: [EINV](#) [ECON](#) [SY](#)
SUBJECT: SARG TRUMPETS NEW GULF INVESTMENT

REF: A. DMS 6280

[1](#)B. DMS 4435
[1](#)C. DMS 5373

Classified By: Charge d'Affaires Stephen Seche, reasons 1.4 b/d

[1](#)1. (C) Summary: According to SARG announcements in local and international news, the Syrian economy attracted billions of dollars of foreign direct investment (FDI) from Arab sources during 2005. The investors have yet to make major commitments, however, and the announcements are a continuation of the previously-reported SARG tactic of creating "investment hype" in order to show that Syria has avoided international isolation (refs A, B). While the SARG's figures are wildly inflated, Arab investors are attracted to the profit-making potential in Syria's mostly undeveloped real estate and tourism market. Even at more modest levels, the new, predominantly Gulf investments in real property will help Syria significantly increase its previously paltry FDI numbers. End summary.

[1](#)2. (U) Local and international news media recently reported that a group of Syrian, Kuwaiti and Saudi investors received preliminary SARG approval to launch a 15-year, USD 15 billion project to build a tourism and recreation complex near Jebel as-Sheikh (Mount Herman) overlooking the Golan Heights. This news follows recent reports of billions of dollars of new, foreign investment in Syria's economy during 2005 from Gulf sources. The announced projects include: a \$4 billion, 5-year project by the Kuwaiti-based Aref Group to build a large financial and commercial center on the outskirts of Damascus; a \$3.4 billion retail and residential housing complex by the Dubai-based Imaar Group; a \$1 billion investment by Majid al-Futtaim, another large Dubai-based company, to build a tourist complex on the Damascus-Beirut highway; and an \$800 million project in commercial property by the Tiger Group, which according to press reports is comprised mostly of Syrian expatriates living in the Emirates.

[1](#)3. (C) According to Embassy sources, however, the investors have not yet committed significant portions of the announced amounts to the projects and are instead limiting themselves to initial purchases of real property while waiting for the political situation to become clearer. Hawazen Esber, Majid al-Futtaim's General Manager for Property Development in Syria, stated his company has spent \$50 million- a small sum

for the company but a relatively large investment for Syria-to secure the land for its planned tourist complex, but that it has no concrete timetable to develop it. (Note: In 2004, Syria received approximately \$180 million in FDI from all sources, \$42 million of which came from other Arab countries.

End note.) He said that the major Gulf investors like al-Futtaim and Imaar are attracted by the money-making potential for real estate in Syria, which he described as a virgin market. Esber added that there is a perception among Gulf investors that the international community is not committed to economic sanctions against Syria, and that the risks, therefore, appear manageable given the growth prospects of the Syrian market and the potential for those getting in early to make huge profits.

14. (C) Other sources have stated that real property in Syria is undervalued, and while Gulf investors may not be interested in putting their petro-dollars in industrial projects that could be affected by sanctions, real estate in Syria is a potential bargain for investors with a long time horizon. In addition, sources report that Syria's regulatory environment has improved, which makes it easier for Gulf investors to enter the market. Esber stated that he has witnessed a positive change in the attitude of SARG officials toward foreign investment over the past 6-months, particularly at the Ministry of Tourism. He said that pioneer projects like the recently opened Four Seasons Hotel in downtown Damascus have paved the way for future investors to receive vital exemptions from Syria's archaic tenant and labor laws, and that there is optimism among Gulf investors that the climate will improve further.

15. (C) Despite the fact that FDI is increasing over 2004 levels, the SARG continues to inflate the figures to reassure

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the Syrian public that the country is avoiding international isolation. As part of the SARG's public affairs campaign (ref C), Deputy Prime Minister for Economic Affairs Abdallah Dardari traveled to Malaysia in November to announce that the Malaysian and Syrian governments had signed an MOU to build a \$60-100 million Malaysian Industrial Park along the Syrian coast. Azmi Sulaiman, First Secretary at the Malaysian Embassy in Damascus, however, discounts the significance of Dardari's announcement. According to him, the impetus for the visit came only from the Syrian side and that he expects no actual investment in the near future. Sulaiman said that he generally refers potential Malay investors to the US Department of State's Country Commercial Guide for background on Syria, and advises them against investing in Syria unless they have deep pockets to withstand probable losses.

16. (C) Comment: While the SARG's investment figures are hyped, the constant announcements of new investment support the government's contention that the US is increasingly alone in its efforts to pressure and isolate the regime and help reassure a worried public. Still, part of the much-hyped Gulf investment is real, albeit at only a fraction of its announced levels. To date, Gulf investors have been very careful to hedge their bets and invest in real property that they feel confident will retain its value no matter the political situation.

SECHE